Tribeca Investment Partners

Fund Update

Tribeca Alpha Plus Class A Units

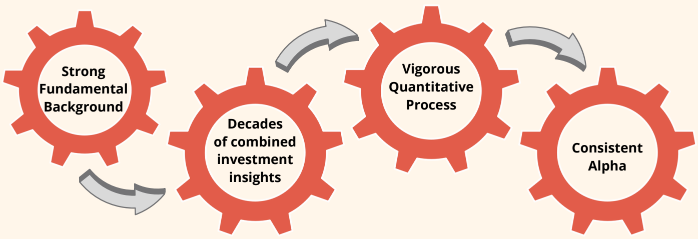
September 2023

Fund Overview

INVESTMENT PHILOSOPHY

Tribeca's investment approach uniquely blends fundamental and quantitative processes that aim to identify investment opportunities and generate returns above the benchmark. Fundamental investing gives depth of insight and conviction by identifying high quality businesses with strong fundamentals. Quantitative investing brings breadth and objectivity to the process by exploiting behavioural biases in the market.

INVESTMENT APPROACH



- A long/short equity strategy that enables investors to benefit in rising and falling markets by taking long or short positions to profit from positive or negative share price movements
- A diversified portfolio, generally consisting of 60-70 long positions and 30-40 short positions
- Style agnostic and broad-based industry exposure
- The active extension structure enables short selling a range of stocks with weak investment characteristics and reinvesting the proceeds in long positions in preferred stocks
- Target allocation of 150% long, 50% short (maximum 50% short exposure)
- Long history of outperforming the S&P/ASX 200 Accumulation Index

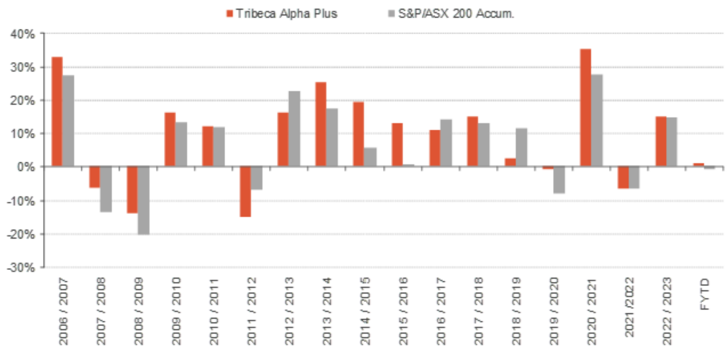
Fund Characteristics

TOP 10 ACTIVE WEIGHTS

	Active Position %
Aristocrat Leisure Limited	3.0
ASX Limited	-2.5
Woodside Energy Group Ltd	2.4
Pro Medicus Limited	2.3
James Hardie Industries PLC	2.3
Goodman Group	2.1
Suncorp Group Limited	2.1
QBE Insurance Group Limited	2.0
Brambles Limited	1.9
Telstra Group Limited	-1.8

LONG TERM PERFORMANCE VS BENCHMARK

Tribeca Alpha Plus Fund vs S&P/ASX 200 Accumulation Index:
delivered outperformance in 13 out of 17 financial years since inception



Source: Tribeca Investment Partners
Past performance is not a guide to future performance

Performance as at 30 September 2023

	1 month %	3 months %	1 year %	3 years %	5 years % pa	7 years % pa	10 years % pa	Since Inception [1] % pa
Class A Units [2]	(2.49)	0.86	13.76	12.09	8.88	8.95	11.07	9.07
Benchmark [3]	(2.84)	(0.77)	13.46	11.00	6.67	8.05	7.43	6.39
Value Added	0.35	1.63	0.30	1.09	2.21	0.90	3.64	2.68

1. Inception date: 18 September 2006
2. Returns are based on end of month redemption prices and calculated after the deduction of ongoing fees and expenses but before tax and assume distributions are reinvested
3. S&P/ASX 200 Accumulation Index

Past performance is not a guide to future performance

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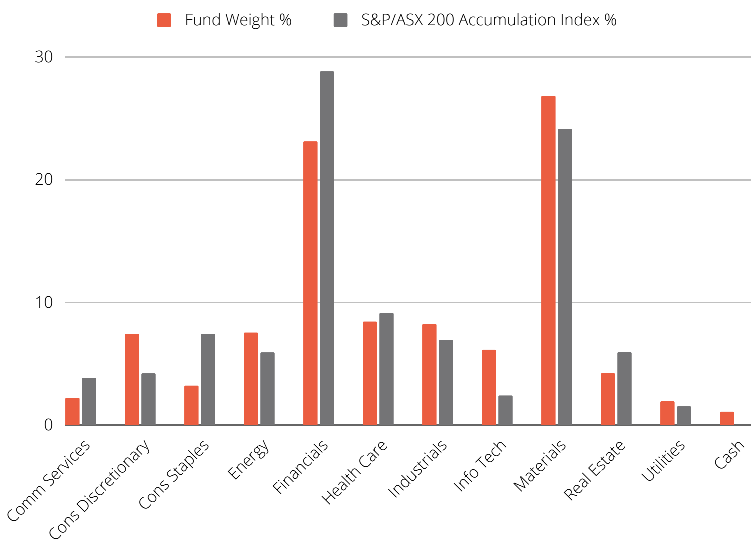
Fund Update

TOP 10 HOLDINGS

	Fund %	Index %[1]
BHP Group Ltd	11.8	10.7
Commonwealth Bank of Australia	7.5	8.0
Woodside Energy Group Ltd	5.7	3.3
CSL Limited	5.7	5.8
ANZ Group Holdings Limited	5.3	3.7
Aristocrat Leisure Limited	4.3	1.3
Goodman Group	3.9	1.8
James Hardie Industries PLC	3.2	0.9
QBE Insurance Group Limited	3.1	1.1
Rio Tinto Limited	3.0	2.0

1. S&P/ASX 200 Accumulation Index

SECTOR ALLOCATION



The data presented in these tables and graphs is unaudited and may change at any time. The data is shown for informational purposes only and is not indicative of any future portfolio characteristics.

Fund Facts

INVESTMENT MANAGER
Tribeca Investment Partners Pty Ltd

RESPONSIBLE ENTITY
Equity Trustees Limited

INCEPTION DATE
18 September 2006

PERFORMANCE FEE
20.5% of the Fund's return above the Fund Benchmark

DISTRIBUTIONS
Half-Yearly

MANAGEMENT FEE
0.97% P.A.

APIR CODE
ETL0069AU

BUY / SELL SPREAD
Buy +0.30% / Sell -0.30%

Manager Commentary

Global equity markets were soft in the September quarter, however the S&P/ASX200 Accumulation Index (-0.77%) comfortably outperformed global benchmarks such as the MSCI World (-3.8%) and the S&P500 (-3.7%). Macro forces continue to pressure equities as the market grapples with uncertainties around the path forward for inflation as well as about whether the economy is headed for a major slow-down. There was a significant steepening of the yield curve through the quarter, as the 2-year Australian bond yield fell 13 basis points while the 10-year yield rose 46 basis points. Such a move in the yield curve, referred to as a Bull Steepener, is quite rare for late in a hiking cycle, and pushes back on the narrative of muted economic growth and taming inflation. Rising long term rates is a sign that the economy is more resilient than expected.

Reporting season was the key focus during the quarter, shifting attention off the macro questions that have driven much of the volatility this year. At a high level FY23 results were in line, with beats and misses squaring up. However, guidance was soft as cost pressures (mostly labour and interest rates) drove earnings downgrades for FY24. During the month, ASX200 EPS estimates for FY24 came down by 2.4%. On this measure (revision to next 12-month earnings estimate), it has been one of the worst reporting periods in the past 2 decades. Interestingly all the damage to forecasts was done at the cost line, with revenue expectations holding up.

The best performing sectors were Energy (+8.0%), Consumer Discretionary (+4.0%) and Financials (+1.4%). The energy sector was buoyed by a sharp move higher by Brent Crude which supported the index heavyweights Woodside and Santos, however the real strength in the sector came from the Uranium names (Paladin +51%) and Coal names (New Hope +31%). Consumer discretionary was supported by an earnings season that was “less bad” than market expectations, coupled with very light positioning by market participants. Wesfarmers was the key contributor from an index perspective while several smaller cap names that had suffered big de-ratings (like Domino’s and Premier Retail) bounced sharply upon reporting.

The worst performing sectors were Healthcare (-9.3%), Consumer staples (-7.3%) and Information Technology (-5.9%). Healthcare was dragged lower by negative trading updates from a number of index heavyweights like Resmed, Healius, Ansell, CSL and Fisher & Paykel. Whilst it is hard to generalise across the whole sector, we have seen margin pressure in these names as inflationary pressure squeezes the cost base, whilst a normalisation of trading post Covid has also played a part in some cases. Consumer staples meanwhile suffered a poor reporting season as some defensive business models reported weaker than expected earnings on cost pressure, in part due to higher interest costs. The Supermarket stocks come to mind here. Meanwhile A2 Milk and Endeavour both saw earning expectations cut on softer revenue outlooks.

Against this backdrop, the Fund posted a return of 0.86% for the quarter, outperforming its benchmark by 1.63%.
At the stock level, notable contributors included overweight positions in:

-Pro Medicus (PME) which saw earnings upgrades on the back of a major new 10-year contract win with the largest not-for-profit healthcare provider in Texas.
-Johns Lyng Group (JLG) which re-rated after delivering a solid set of FY23 results; and
-Woodside Energy Group (WDS), which benefitted from very strong energy prices, with Brent Crude +22% for the quarter.

Underweights which helped performance included:
-Alumina (AWC) which fell sharply after reporting widening losses and negative cashflow which focussed attention on a levered balance sheet;
-Qantas (QAN) which faced headwinds from rising oil prices and softening consumer sentiment, but also came under intense media scrutiny for governance concerns, resulting in the acceleration of the planned CEO succession; and
-Iress (IRE) which collapsed on a downgraded outlook for CY23 and balance sheet pressure which saw the dividend scrapped.

Detracting from performance were overweight positions in:
-a2 Milk Company (A2M) which provided a subdued update for sales of its infant formula in the Daigou channel early in the quarter and did not recover despite receiving a key Chinese regulatory approval for its Chinese-label infant milk formula late in the quarter; and
-Treasury Wine (TWE) which issued a trading update which pointed to a challenged outlook for lower-value commercial wines.

Whilst on the underweight side, negative attribution came from:
-Star Entertainment Group (SGR) which undertook a discounted equity raise during the quarter to pay down debt whilst continuing to face heightened regulatory scrutiny that has impacted earnings from its Sydney property, plus.
-Iluka (ILU) which reported a weak 1HCY23 result, missing consensus earning expectations and cutting production guidance for the full year.

OUTLOOK

Over the past 8 weeks, Australian equity market volatility has picked up meaningfully because of a sharp spike higher in long bond yields. The driver of this has been a shift in narrative coming from the US Federal Reserve, who have outlined the potential for interest rates to stay higher for longer. This immediately saw expectations for easing by the RBA pushed out further into 2024 as well as a move higher in our own domestic bond yields.

For the equity market, higher bond yields put downward pressure on valuations and raises economic uncertainty due to tighter financial conditions. The combination of these headwinds has led to downside in areas exposed to higher rates or economic downside and created more volatility for investors.

Higher bond yields are a concern, but we are careful to assume that the recent move will be sustained or that it will lead to widespread economic weakness. Over the past 18 months, expectations for rates and the economy have swung from optimistic to pessimistic many times and we think this is symptomatic of turning economic turning points where uncertainty is high, and forecasts are being continually adjusted.

Australia's economy is finally slowing as policy rate hikes impact the consumer. But it is not dropping off sharply as strong immigration, rising house prices, excess savings and a resilient labour market offset higher borrowing costs. This has translated into a corporate earnings backdrop that has also weakened but maintains pockets of strength. In addition, many stocks have seen valuations discounted heavily due to rising rates or slowing economic growth.

We think it will take some time before there is transparency on when policy rate support will emerge and how far and fast the economy will slow. Alongside other risks (such as geopolitics and rising oil prices), this will keep the market ebbing and flowing without a strong directional tilt. But a short and shallow downturn alongside the prospect of rate relief sometime in late 1H24 will be strong positive supports for the equity market, should it emerge from the current period of volatility. In the meantime, this volatility is an attractive backdrop for long / short investors who benefit from directionless markets and when sentiment becomes both overly pessimistic and optimistic.

See gsfm.com.au for more information about the Tribeca Alpha Plus Fund.